

PUBLIC DISCLOSURE

9/25/2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Target Bank
57769**

**299 South Main Street, 20th Floor
Salt Lake City, Utah 84111**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Target Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **September 25, 2006**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated *Satisfactory*.

Target Bank's CRA performance depicts satisfactory responsiveness to the community credit and other financial services needs within the assessment area. Small business lending within the assessment area was not evaluated due to the lack of revenue information (not generally required by the bank) and the lack of a sufficient volume of loans within the area to provide a meaningful evaluation. The overall rating was weighted towards the bank's community development activities.

- Overall, the institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through qualified community development loans, services, and investments (including grants and donations), considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.
- The bank has responded to its CRA responsibilities through \$155,000 in qualified direct grants and donations, along with 82 hours of qualified community development services.
- The institution has not received any CRA-related complaints.
- The bank made a \$500,000 loan to help with disaster (primarily hurricane) relief
- The average loan-to-deposit ratio (47.06 since inception) is adequate given the fact that the bank does not accept consumer deposits; has only one \$300,000 commercial brokered deposit; and the deposit base consists primarily of credit loan balances
- Affiliate qualified loans and donations exceed \$2 million
- Total qualified loans and investments exceed 20 percent of quarterly assets (6/30/06)

DESCRIPTION OF INSTITUTION

Target Bank obtained a charter from the State of Utah on September 27, 2004 and began operations shortly thereafter. The Bank remains in de novo bank status. Its business consists of a private label commercial credit card to businesses for their use in the general merchandise retail stores of its parent company, Target Corporation. The Bank has affiliations with Target National Bank (TNB) and Target Financial Services (TFS), all housed under the Target Corporation. There are particular services which are outsourced to both TNB and TFS. Examples of these services include card production, statement processing and letters to consumers provided by TNB; Remittance processing, financial product planning and development and risk management reporting are provided by TFS.

The sole office is located in a commercial high-rise in downtown Salt Lake City and incorporates an assessment area consisting of the entire Salt Lake City Metropolitan Statistical Area (Salt Lake County, Summit County and Tooele County). However, Target Bank is a national lender. The loan portfolio consists of commercial loans (i.e. small business, schools and corporations) and other loans. Although all loans are to businesses, some of these businesses are non-profit organizations and loans to them are slotted as “other loans” in accordance with the Call Report instructions. Refer to the composition of the banks loan portfolio as of June 30, 2006, illustrated in Table-A.

TABLE A – COMPOSITION OF LOAN PORTFOLIO AS OF JUNE 30, 2006		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Commercial and Industrial	2,934	58
Other Loans (Non-profit)	2,105	42
Total Loans	5,039	100

Source: 6/30/2006 Report of Condition

Commercial loans have consistently been the business focus of the bank. There are two types of commercial accounts, a revolving credit card and a pay in full net-30 program. Target Bank’s office is not open to the public and does not offer traditional retail deposits. There are no immmerging plans to incorporate new product lines or modify the primary objectives of the bank.

The current average asset size of Target Bank is \$13,373,000 as of June 30, 2006. The bank is principally funded through a line of credit with the parent corporation. Additional funding is provided by a \$300,000 brokered deposit. The asset size of the bank firmly places it within the small bank category for CRA purposes. However, due to the bank’s national lending focus with very few loans in the bank’s assessment area, the bank was evaluated primarily on its community development loans, investments and services.

DESCRIPTION OF SALT LAKE CITY MSA

The Community Reinvestment Act (CRA) of 1977 (12 U.S.C. 2901), as amended, requires a bank to identify one or more “assessment areas” within which its regulatory agency will evaluate the bank’s performance. An assessment area is an area that includes the geographies in which the bank has its main office, branch offices, and other deposit-taking remote service facilities, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans. Assessment areas always consist of one or more whole census tracts, which are statistical subdivisions of a county. Census tracts are delineated for all metropolitan areas and other densely populated counties.

Target Bank has defined its assessment area as the Salt Lake City Metropolitan Statistical Area (MSA) #41620. This area is comprised of 205 contiguous census tracts and includes all of Salt Lake, Summit and Tooele counties. The Department of Housing and Urban Development (HUD) estimates the 2006 median family income (MFI) for the MSA at \$61,550. The bank’s assessment area is home to most of the major insured financial institutions in the state, including several regional banks, several credit unions, and many other industrial loan companies. The following table reflects the census tract income, population, and household breakdown of the Salt Lake MSA as determined by the 2000 US Census:

Table B – DEMOGRAPHIC INFORMATION OF ASSESSMENT AREA – 2006						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A * % of #
Geographies (Census Tracts)*	205	2.44	21.95	47.32	28.29	0.00
Population by Geography *	968,858	0.78	22.59	49.65	26.97	0.00
Owner-Occupied Housing by Geography*	221,417	0.20	16.53	52.75	30.52	0.00
Business by Geography – 2005*	110,144	8.13	21.64	39.93	30.30	0.00
Family Distribution by Income Level*	233,707	0.64	20.69	50.88	27.79	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies*	85,825	1.45	34.25	50.67	13.62	0.00
HUD Updated MSA Median Family Income*		61,550				
Households (HH) Below Poverty Level* 8% of total HH		24,134				

Source: *2000 US Census/ 2004 & 2005 HUD updated Median Family Income

Salt Lake City metro area continues to see rapid growth, with an average population increase of 1.32% each year since 1999. Over the forecast, population growth is expected to outpace the national average. Within the MSA, Tooele, which tallied 49,688 residents as of the most recent Census survey, was the fastest-growing county, expanding by a 4.2% annualized growth rate during the period July 2001 to July 2004. The MSA had net in-migration of 2,000 in 2005, up from an average loss of residents over the last four years.

Employment gains are running at more than double the national pace; the construction industry leading the way at 16.4% employment growth as of July 2006. However, the per capita income is far below the national average. Total employment growth in Salt Lake City is expected to be above average over the forecast, growing at an annual average of 1.9%, and all sectors are

expected to outperform the U.S. Average. Over the long run, strong demographics, low wages and a young and educated workforce will continue to attract businesses.

The annual change in employment over the last 10 years is more volatile in Salt Lake City compared with the U.S. average and is expected to experience a stronger rebound going forward. Volatility has resulted from an influx of residents and high tech jobs from California during the early and mid-1990s while the state was in a more severe downturn, as well as from a large number of jobs in the high tech sector. Currently, the high tech sector accounts for 6.5% of total employment.

As a result of an expanding total job base, the unemployment rate has decreased to a below-average 3.3% as of July 2006. The low unemployment rate will eventually put upward pressure on wages, indicating that income should continue to rise over the next five years, averaging growth of 3% annually, and the pace of growth is expected to be above that of the previous five years. Income growth in Salt Lake City will lag slightly behind the national average of 3.1%. In addition, the number of personal bankruptcies is expected to decrease, yet will remain well above the national average.

The bank operates in a highly competitive assessment area with numerous financial institutions that specialize in a more traditional array of retail bank loans, deposits, and services than does Target Bank. These retail institutions and the many other industrial loan corporations located in Salt Lake County directly compete with Target Bank by also fulfilling their qualified CRA activities within the same assessment area.

Community Contact

Numerous contacts were made in the first three quarters of 2006 that targeted credit and other financial services and community needs within the Salt Lake City MSA. These were reviewed and it was found that:

There is a strong ongoing need for affordable housing, including multi-family housing as well as single family residences;

Other needs identified include credit, homebuyer, pre-purchase counseling, and other related financial literacy training targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation; healthcare for low- and moderate-income families and individuals; and childcare for low- and moderate- income families during the workday, including after-school programs for “at-risk” youth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Target Bank meets the definition of a Small Bank under the CRA regulation. However, because the bank is a national lender with a small segment (negligible by percentage) of its loan portfolio in the assessment area, the bank was evaluated predominantly on its qualified community development loans, investments and services.

Lending in the Assessment Area

Target Bank originates a limited number of loans within its defined assessment area compared to its nationwide portfolio. Below, Table C summarizes the extent of lending activity based on loans originated during the assessment period. Approximately half of the loans originated in the entire state of Utah were originated within the MSA. Given the small number of loans within the Salt Lake City MSA, further analysis of lending in the bank's assessment area does not provide meaningful information.

TABLE C – DISTRIBUTION OF LOANS INSIDE AND OUTSIDE OF THE SALT LAKE CITY MSA					
YEAR	Number of Loans				
	Inside		Outside		# Total
	#	%	#	%	
2005	24	0.30	8442	99.70	8466
2006	26	0.30	8958	99.70	8984

Geographic Distribution of Loans

Due to Target Bank's business model of conducting national lending, combined with an extremely small volume of loans being originated in the assessment area, an analysis of the bank's distribution of loans does not offer meaningful information relative to geographical dispersions.

Lending to Small Businesses of Different Sizes and Consumers of Different Income Levels

With the exception of large business entities, Target Bank does not currently collect revenue information on any of its business customers. Nevertheless, if the revenue information were available, the lending volume within the assessment area would still be insufficient to make a meaningful analysis pertaining to the bank's lending patterns according to business revenue.

Loan-to-Deposit Ratio

Table D represents Target Bank's average loan-to-deposit ratio over the past 8 quarters since the Bank's opening in September 2004. The Bank's average net loan-to-deposit ratio is 47.06%. The Bank's deposits consist of a \$300,000 brokered deposit and loan credit balances. However, the Bank does not accept traditional consumer deposits and relies on a parent funding source. Consequently, further analysis of the loan-to-deposit ratio would not be meaningful as to the bank's responsiveness to the financial needs of consumers in the assessment area.

TABLE D - ANALYSIS OF LOAN-TO-DEPOSIT RATIO (by Call Report Date)*			
Call Report Date and Loan / Deposit Ratio			
06/30/2006	03/31/2006	12/31/2005	09/30/2005
74.03	67.90	73.56	74.77
06/30/2005	03/31/2005	12/31/2004	09/30/2004
55.94	20.06	10.18	N/A
Average			
47.06			

Response to Complaints

No comments or complaints were received by the Bank regarding its CRA performance.

Compliance with Anti-Discrimination Laws

A fair lending review was conducted during the current examination. No violations of the substantive provisions of the anti-discrimination laws were identified.

CONCLUSIONS WITH RESPECT TO COMMUNITY DEVELOPMENT ACTIVITIES

Community Development Lending

Target Bank has established a \$1.5 million line of credit (as of March 2005) extended to the American Red Cross (ARC). Of this, \$500,000 represents an increase in the line from \$1 million to \$1.5 million. This increase is specifically designated for disaster relief and qualifies as community development. The \$500,000 limit has fluctuated over time, from as low as \$5,000 at account opening to a high of \$510,000 in October and November 2005 to make provisions for the Hurricane Katrina relief efforts. During the Hurricane Katrina crisis, the majority of the credit expended was in the form of credit vouchers provided by the ARC to evacuees for the purchase of personal/ family necessities from Target Stores.

Community Development Investments

Target Bank's community development investments come in the form of grants and donations. The bank's community development goals are directly geared toward education. The largest donation was made to an educational institution that operates as an early learning center. It provides educational services to children in preschool through third grade. Those attending are almost exclusively "at risk" children who live in poverty (100%); minority (92%); English language learners (67%); children of immigrants (65%) and homeless (4%). In addition to furnishing excellent educational opportunities, the school also provides busing services and healthy breakfasts and lunches are served daily. The bank has donated \$150,000 to this cause, as well as numerous service hours described below. Bank management intends to continue making monetary donations in the future, as well as to pursue other partnering efforts.

Target Bank also made a contribution to a private school's scholarship program. This school provides college preparatory education for students in preschool through twelfth grade. Most of the students are without traditional financial ability; thus, scholarships are need-based, and offer up to full financial support as well as assistance with books, uniforms, transportation, school trips and tutoring, if necessary. The bank donated \$5,000 to this cause.

The total community development investments (grants/donations) made by the bank equal \$155,000.

Community Development Services

Target Bank's staff has dedicated over 80 hours to community development services, assisting with or supporting various projects. The bank has representation on the board and finance committee of the aforementioned school for poverty-stricken youth.

Through the Junior Achievement program, bank personnel also provide financial literacy and other fundamentals of business, economics and life skills concepts to low- and moderate-income students. Bank personnel, as instructors, educate the students in financial literacy, teaching them the value of money, and how and why to save money and various other financial topics.

Other community development services include board or committee assistance to non-profit entities that construct housing for low- and moderate-income recipients; assist the homeless and/or neglected or abused children, and low income immigrants; and provide low- or no-cost legal aid to low- and moderate-income individuals.

Affiliate Grants and Donations

Target Bank's parent company has also made substantial qualified investments (grants and donations) nationwide, including the bank's assessment area. These are not being claimed for consideration by any other financial entity.

The number and dollar volume of qualified grants and donations given during the assessment period totaled 166 grants/donations exceeding \$2,079,000. These were made on a national level, including qualified grants and donations in the bank's assessment area.

Inside of the Assessment Area

Target Bank received CRA consideration for 5 qualified grants/donations made by the parent company within the assessment area totaling \$5,000. These grants/donations were awarded to various worthy causes including several domestic violence victim assistance and emergency shelter programs sponsored through various non-profit groups.

Outside of the Assessment Area

Target Bank received CRA consideration for 161 qualified grants/donations outside of the assessment area totaling more than \$2,074,000. The bulk of the amount given was provided to the American Red Cross. Target Corporation donated \$1,500,000 to the American Red Cross to assist with various ongoing nationally declared disaster relief projects including Hurricanes Katrina, Rita, and Wilma. A million dollars of the total donation was tied to Target Corporation preparedness kits (first aid kits) for victims of disasters.

The remainder of the corporate grants and donations were also given to worthy causes. A few of these organizations include contributions to support: \$30,000 for the READ literacy program; \$20,000 for various youth programs (including for violence prevention and after school programs for at-risk youth); \$14,750 in support of poverty programs for the very low-income families; \$150,000 for homelessness; \$20,000 for educational support of low- and moderate-income individuals.